

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58188

CHIMACUM SCHOOL DISTRICT NO. 49

Jefferson County, Washington

September 1, 1994 Through August 31, 1996

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CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Chimacum School District No. 49 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT NO. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT NO. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Schedule Of Findings

1. The District Should Improve Associated Student Body (ASB) Activities Internal Controls To Ensure That State Laws And The School Accounting Manual Are Followed

In our audit for the years 1994 and 1993, we recommended that the district improve the internal controls over ASB activities at the high school. During the current audit of the ASB we noted that the controls have not been improved. We have identified the following internal control weaknesses at the high school.

a. Cash Receipts:

(1) Receipts were not deposited timely. On the date of testing we found three weeks of cash receipts on hand in the amount of \$2,422.32.

(2) Receipts were not deposited intact. In addition, the mode of payment was not noted for all receipts. Therefore, receipts could not be reconciled to each deposit.

b. Vending Machine Sales:

There were no procedures established to determine the reasonableness of receipts.

c. Revolving Fund:

The revolving fund was not operating according to required procedures.

The ASB revolving fund has not been replenished for almost three years and not all checks written were supported by adequate documentation.

d. Activity Accounts:

Numerous activity accounts were operating with a negative fund balance at the expense of the other ASB accounts.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty-four consecutive hours.

WAC 392-138-035 states in part:

All associated student body moneys, upon receipt, shall be transmitted intact to the district depository bank and then to the county treasurer for deposit to the credit of the "associated student body program fund" of the school district

The Washington Association of School Business Officials *ASB Procedures Manual* states in part:

The ASB bookkeeper or secretary should validate the item counter that is recorded by the vendor on his service record of the vending machines.

An imprest fund checking account replenishment request must be completed at least once a month by statute.

Student approval and original itemized vendor invoices must be on file for each imprest fund check written.

Inadequate internal controls result in decreased accountability over ASB cash receipts and expenditures and an increased risk that errors and irregularities may occur and not be detected by management in a timely manner, if at all. Additionally, it reduces the reliability of financial data produced by such a system.

We again recommend the district improve internal controls to ensure that ASB activities are properly accounted for.

Auditee's Response

We concur with the auditor's recommendation that the district needs to improve internal controls to ensure that ASB activities are properly accounted for at the High School. We have already begun to take the necessary steps. A meeting was held with the High School administration and a WASBO ASB Procedures Workshop has been arranged for our district on April 28, 1997.

The High School administration responded and indicated that some items have already been remedied and others will be in place by the beginning of the next school year.

Auditor's Concluding Remarks

We appreciate the superintendent's commitment to resolve the issues noted in our findings. Based on her response, the recommendations are being addressed and we will review these areas again in our next audit of the district.

We wish to thank the district's personnel and management for their cooperation and assistance during the audit.

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Financial Statements

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the accompanying general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Chimacum School District No. 49 as of August 31, 1996 and 1995, and the results of operations for the fiscal years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 1997, on our consideration of the district's internal control structure and a report dated January 21, 1997, on its compliance with laws and regulations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Chimacum School District No. 49 taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended August 31, 1996 and 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirement was determined to be not applicable to its federal financial assistance programs:

- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not

limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997.

We also have audited the district's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended August 31, 1996 and 1995. Those requirements include types of services allowed or unallowed as described in the *Catalog of Federal Domestic Assistance*.

The management of the district is responsible for the district's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the district's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Chimacum School District No. 49 complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal years ended August 31, 1996 and 1995.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Directors
Chimacum School District No. 49
Chimacum, Washington

We have audited the general-purpose financial statements of Chimacum School District No. 49, Jefferson County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated January 21, 1997. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the district complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated January 21, 1997.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Cash disbursements
 - Accounts payable
 - Purchasing and receiving
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Receivables
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Relocation assistance and real property acquisition
- **Specific Requirements**
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements

- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

During the fiscal years ended August 31, 1996 and 1995, the district expended 51 percent of its total federal financial assistance under one major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the district's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 21, 1997

CHIMACUM SCHOOL DISTRICT No. 49
Jefferson County, Washington
September 1, 1994 Through August 31, 1996

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. The District Should Monitor Associated Student Body (ASB) Activities And Ensure That State Laws And The School Accounting Manual Are Followed

Resolution: Not resolved. See current finding.